



PROPERTY REQUIREMENTS

Guaranteed Rural Housing Loan Program United States Department of Agriculture Rural Development

Existing Homes

The basic objective of USDA's Guaranteed Rural Housing loan program is to assist eligible applicants in rural areas obtain adequate, decent, safe, and sanitary homes. To this end, an existing dwelling must be inspected to determine that the dwelling meets the current requirements of HUD Handbook 4150.2 and HUD Handbook 4905.1

When prepared in accordance with HUD Handbooks 4905.1 and 4150.2, the appraisal constitutes acceptable documentation to comply with existing dwelling inspections made in accordance with RD Instruction 1980-D, section 1980.341 (b)(l)(i). The lender should be careful to select an appraiser familiar with and who can certify that the requirements of HUD Handbooks 4905.1 and 4150.2 have been met. Lenders have the option to chose either:

- An appraisal performed by an FHA roster appraiser; or
- An appraisal performed by a licensed or certified appraiser not on the FHA roster **and** a home inspection by a qualified home inspector.

Appraisers who are not on the FHA roster are not approved by FHA to complete appraisals in accordance with HUD Handbooks 4150.2 and 4905.1. Lenders may determine that a non-FHA roster appraiser is qualified to perform the home inspection, as long as the lender is assured that the non-FHA roster appraiser is thoroughly familiar with HUD Handbooks 4150.2 and 4905.1. An individual who is not thoroughly familiar with these handbooks should not certify that a property meets HUD handbook standards. Doing so would constitute a misrepresentation. To confirm that the property meets the HUD Handbook requirements, the appraiser may provide the following statement in an addendum to the appraisal: "The dwelling meets HUD's minimum property standards for existing dwellings as outlined in HUD Handbooks 4150.2 and 4905.1", or they may use the attached optional form.

In addition, the following property requirements must be completed, if applicable.

- If property is served by an individual water supply system, the local health authority or state certified laboratory must perform a water quality analysis. The water quality must meet state and local standards.
- If the property is served by an individual septic system, the septic system must be free of observable evidence of system failure. AN FHA roster appraiser, a government health authority, a licensed septic system professional, or a qualified home inspector may perform the septic system evaluation.

- If required by the lender, appraiser, or inspector, a pest inspection must be obtained showing that the property is free of active termite infestation.

New Construction

Prior to issuance of the loan note guarantee, lender must certify that the following certifications, inspection reports and warranties have been obtained by the lender and are satisfactory:

- **Construction Inspections**
Certification that foundation, framing and final inspections have been completed in compliance with local and state requirements and codes.
- **Builder's 1-year Warranty or 10-year Homeowner's Warranty.**
If 10-year warranty is provided, the foundation and framing inspections are waived
- **Permits/Clearances**
 - Notice of Occupancy/Certificate of Occupancy
 - Well certifications from local health authority or private licensed firm

Site Requirements

- Site value should not exceed 30% of the total appraised value.
- Well certification and septic certification required when applicable.
- Streets and roads servicing the property should be paved, or must have an all-weather surface. Properties must have direct access to a street or driveway.
- Condo's and PUD projects must be served by a Homeowners Association which is in control of the project and has been approved by HUD, VA, Fannie Mae or Freddie Mac
- Homes in flood zones must obtain adequate flood insurance coverage and be above the 100-year flood elevation, unless property receives a Letter of Map Revision from FEMA.